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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000568

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STATE FOR NEA/ARPI
STATE PLEASE PASS DEPARTMENT OF ENERGY FOR IE
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TAGS: [EPET](#) [ENRG](#) [BEXP](#) [KU](#)

SUBJECT: ENERGY MINISTER COMMENTS ON OPEC AND PROSPECTS FOR
U.S. FIRMS BIDDING ON AL-ZOUR NORTH AND PROJECT KUWAIT

REF: A. 2004 KUWAIT 4556
[B](#). 2004 KUWAIT 4557
[C](#). 2004 KUWAIT 3426
[D](#). 2004 KUWAIT 1594

Classified By: Ambassador Richard LeBaron for reasons 1.4 (a), (b) and
(d)

[1](#). (U) Ambassador met on 7 February 2005 with Minister of
Energy H.E. Shaykh Ahmed al-Fahd al-Ahmed al-Sabah regarding
a variety of issues. This cable concerns the Minister's
comments on the recent OPEC session in Vienna and major
electricity and oil recovery infrastructure projects in
Kuwait.

OPEC

[2](#). (C) In describing the 29-30 January OPEC session in
Vienna, Minister Ahmed (who also is the current OPEC
President) provided some background on the cartel's logic in
not changing its current production ceiling of 27 million
barrels/day. He noted that prices are high despite what he
characterized as an "oversupply" in the market. He said OPEC
planned to gauge its decisions in reaction to market
movements. He noted further that for the first time product
stock had built up in the first quarter of the year, rather
than, as is typical, the second quarter. He attributed this
to moderated demand despite the winter season. He said he
expected the market price to drift downward unless there is
"trouble in Iraq or some other geopolitical instability."
The Minister said he expected sales to China to pick up in
the second quarter but that no significant change in price
was expected before March at the earliest, and even then it
would be moderated by reduced demand with the end of winter.
"Price will fluctuate a dollar or two," he said.

[3](#). (C) Ambassador noted that we will have a new Secretary of
Energy soon and that Embassy would recommend a visit by the
Secretary to Kuwait if the Minister thought that beneficial.

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The Minister responded firmly and positively and commented
that he anticipated visits from the Russians and senior
officials of the European Energy Commission. He said he
expected the Chinese would visit as well. Turning closer to
home, the Minister said that Kuwait awaited the results of
the Iraqi elections while considering Iraq's return to full
OPEC participation (note: this would mean the inclusion of
Iraq's production in the OPEC quota).

Al-Zour North

[4](#). (C) Ambassador said that USG had understood there to have
been a 1996 pledge by the Amir that the contract for the \$2
billion, 2500 megawatt Al-Zour North electricity generating
plant would be awarded to an American firm. The Minister
replied that he anticipated the management company for the
project would be an American firm, would have the contract
lead, and 22 to 28 percent of the total contract value. The
Minister opined that 7 or 8 firms would make it to the final
bid group; the French and perhaps the Italians would be there
as well as the Americans. There would likely not be Chinese
or Indian companies in line for the final selection round, he
said. He reiterated that he thought a "good competitive
arrangement" would wind up with an American firm with as much
as 28 percent of the project. He clarified that in the final
scoring of proposals U.S. companies would have a 10 percent
advantage in the bidding process, the same advantage
permitted Kuwait's domestic firms. The final selection, the
Minister said, would be made by the Prime Minister based on
the recommendations of the Cabinet.

Project Kuwait

15. (C) The Minister was optimistic about movement on Project Kuwait, a \$7 billion plan to double output of four of Kuwait's northern oil fields over the next 20 years. This project has been mired in parliamentary maneuverings since 1993. The Minister said that Project Kuwait was a front burner issue for the GOK today and that the parliamentary Committee on Finance and Economic Affairs would meet on 8 February 2005 for the first of three to six sessions to review outstanding matters regarding the financial and technical package for the project. Among the issues under discussion is a proposal in the Project Kuwait package enabling legislation that would make the use of Kuwaiti agents optional. The Minister noted that members of Parliament and the public are not in favor of agents. He said the government supports a decision to make agents optional but that this was a political decision to be taken by Parliament. The Minister did not suggest an end date for the Parliament's review; he did, however, reiterate his optimism for some movement in the Parliament at long last.

LEBARON